

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 NEA-11 /137 W
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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 9319
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMKONSUL MEDAN 9150
AMEMBASSY SINGAPORE
AMCONSUL SURABAYA
AMEMBASSY TOKYO

C O N F I D E N T I A L JAKARTA 7566

E.O. 11652: GDS
TAGS: ENRG, JA, ID
SUBJECT: JAPANESE INVOLVEMENT IN INDONESIAN OIL AND GAS

REF: JAKARTA 7566

1. SUMMARY: DURING PAST YEAR, JAPANESE INVOLVEMENT IN
INDONESIA'S PETROLEUM SECTOR HAS GROWN, AND MITI MINISTER
KOMOTO'S MAY VISIT TO JAKARTA BOTH CONFIRMS THIS TREND AND
PERHAPS CREATES OPPORTUNITIES FOR FURTHER JAPANESE INVEST-
MENT AND COMMERCE HERE. END SUMMARY.

2. INPEX, FORMERLY JAPEX, IS ALREADY INDONESIA'S NO. 2 OIL
PRODUCER, ALTHOUGH THE COMPANY DOES NOT OPERATE ANY FIELDS.
ITS 50 PERCENT INTEREST IN TOTAL AND UNION PRODUCTION OFF
EAST KALIMANTAN PROVIDE IMPEX WITH ABOUT 180,000 BARRELS
A DAY OF OIL DESPITE THE COMPANY'S DISMAL RECORD WHEN IT
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EXPLORED THESE AND OTHER AREAS IN PREVIOUS YEARS.

3. DURING 1977-78, JAPANESE OIL FIRMS PURCHASED MINORITY
SHARES IN PETROMER TRENDS PRODUCING OPERATION IN IRIAN
JAYA AND IN TOTAL AND CONOCO'S "JOINT VENTURE" AREAS ALSO
IN IRIAN JAYA. MORE RECENTLY, TCIKOKU OIL IS REPORTEDLY
ABOUT TO RECEIVE A NEW EXPLORATORY BLOCK IN SUMATRA

WHICH IT WILL OPERATE.

4. JAPAN'S ROLE IN EXPLORATION AND PRODUCTION, ALTHOUGH GROWING, WILL NOT CHALLENGE U.S. COMPANY PREMINENCE AND U.S. FIRMS WILL CONTINUE TO BE THE DOMINANT AND MOST SUCCESSFUL OPERATORS IN INDONESIA.

5. IN ADDITION TO PRODUCTION AND EXPLORATION ACTIVITIES, HOWEVER, MITI MINISTER KOMOTO'S MAY VISIT TO JAKARTA OUTLINED THE FULL RANGE OF JAPANESE INTERESTS IN INDONESIA'S ENERGY SECTOR AND MAY HAVE FURTHERED OPPORTUNITIES FOR ADDITIONAL JAPANESE INVESTMENT AND COMMERCE HERE.

6. KOMOTO TOLD GOI THAT JAPAN WOULD NOT REDUCE ITS IMPORTS OF INDONESIAN OIL. INDONESIANS INTERPRET THIS AS SHORT-RUN ASSISTANCE IN CURRENT MARKETING DIFFICULTIES AND HOPE IT IMPLIES A LONGER RUN COMMITMENT THAT CHINESE OIL WILL NOT DISPLACE INDONESIAN CRUDE IN JAPANESE MARKET. ALTHOUGH DIFFICULT TO EVALUATE, THIS TYPE OF IMPORTANT POLITICAL COMMITMENT MAY GIVE JAPANESE FIRMS SIGNIFICANT ADVANTAGE IN MAJOR PROJECT OPPORTUNITIES IN INDONESIA'S ENERGY SECTOR.

7. FOR EXAMPLE, KOMOTO AFFIRMED THE JAPANESE GOVERNMENT'S INTEREST IN A SUCCESSFUL CONCLUSION TO ON-GOING NEGOTIATION. CONFIDENTIAL

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TIONS BETWEEN PERTAMINA AND JAPANESE UTILITIES FOR DELIVERY OF ADDITIONAL 3.2 MILLION TONS OF LNG PER YEAR. KOMOTO WAS VAGUE AS TO ACTUAL GOJ ROLE IN THEIR LNG DEAL, BUT INDONESIANS BELIEVE GOJ MIGHT PARTICIPATE IN OR GUARANTEE FINANCING OF THE PROJECT.

8. JAPAN ALREADY HAS UNDER LONG-TERM CONTRACT THE OUTPUT OF FIVE LNG TRAINS IN INDONESIA (THREE AT ARUN AND TWO AT BONTANG), AND THE GOJ COMMITMENT TO AN EXPANSION OF BONTANG IS BELIEVED TO ENSURE THAT JAPANESE SHIPYARDS WILL CONSTRUCT THE LNG CARRIERS NEEDED TO TRANSPORT THE ADDITIONAL GAS. IT MAY ALSO PROVIDE JAPANESE CONTRACTORS A BETTER CHANCE TO PARTICIPATE IN CONSTRUCTION OF ADDITIONAL LNG TRAINS AT BONTANG.

9. INDONESIAN OFFICIALS DISCUSSED WITH KOMOTO ALMOST EVERY MAJOR OIL AND GAS PROJECT HERE. REPORTEDLY KOMOTO EXPRESSED FAVORABLE JAPANESE INTENTIONS REGARDING FINANCING AND CONSTRUCTION OF HYDRO CRACKING FACILITIES AT DUMAI REFINERY, PERTAMINA DOMESTIC TANKER REPLACEMENT, BATAM ISLAND OIL REFINERY, AND ASEAN FERTILIZER PLANT IN ACEH.

10. KOMOTO WAS NON-COMMITTAL WHEN MINISTER OF MINES SUBROTO ASKED JAPANESE TO PARTICIPATE IN CONSTRUCTION OF AROMATICS PLANT AT PLADJU. KOMOTO ALSO TOLD INDONESIANS JAPAN HAD NO INTEREST IN PARTICIPATING IN CONSTRUCTION OF A PETROCHEMICAL PLANT AT ACEH. HE SAID JAPAN IS COMMITTED TO THE SINGAPORE SUMITOMO PROJECT.

11. IN PAST YEAR, JAPANESE HAVE MOVED TO EXPAND THEIR ROLE IN INDONESIAN ENERGY SECTOR BY CONTRACTING FOR NEW LNG SHIPMENTS, EXPANDING ROLE IN OIL EXPLORATION AND PRODUCTION, AND DEFTLY USING POLITICAL INFLUENCE TO GAIN ADVANTAGE IN MAJOR PROJECT OPPORTUNITIES. THE POLITICAL SUPPORT GOJ OFFERS TO ITS COMMERCIAL FIRMS IS CONFIDENTIAL

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CRUCIAL INGREDIENT IN THIS SUCCESS.
MASTERS

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